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TREASURER AND TAX COLLECTOR

COUNTY OF LOS ANGELES TREASURER AND TAX COLLECTOR

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November 12, 2008

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

AMEND THE COUNTY CODE REGARDING THE TREASURY OVERSIGHT COMMITTEE AND DISBAND THE TREASURY OVERSIGHT COMMITTEE (ALL DISTRICTS – 3 VOTES)

SUBJECT

Pursuant to a change in California Government Code Section 27131, the establishment of a county Treasury Oversight Committee is now optional, and no longer mandatory. It is recommended that the Los Angeles County Code be amended to reflect this change. In addition, the Treasurer also recommends disbanding the Treasury Oversight Committee due to its limited functions.

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve the accompanying ordinance amending Title 3, Advisory Commissions and Committees, of the Los Angeles County Code, Section 3.59.010, to provide your Board the option to establish a County Treasury Oversight Committee.
2. Approve the Treasurer's recommendation to disband the Treasury Oversight Committee due to its limited functions.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Your Board's approval of the accompanying ordinance will update Title 3 of the County Code to reflect a change in California Government Code Section 27131, which makes the establishment of a Treasury Oversight Committee optional, and no longer mandatory. Approval of the Treasurer's recommendation to disband the Treasury

Oversight Committee will reduce the number of County commissions and committees, and thereby increase organizational effectiveness.

Background

Effective January 1, 1996, in direct response to the financial losses in the Orange County Treasury Pool, the California Government Code (Government Code) (Article 6, Sections 27130 through 27137) was amended to require the Board of Supervisors (Board) in each county that invested surplus funds to establish a county Treasury Oversight Committee. The Board, in consultation with the Treasurer, was charged with determining the exact size of the Committee, which was to consist of three (3) to eleven (11) members from certain categories of candidates.

In response to this, effective February 23, 1996, your Board established a Treasury Oversight Committee (Committee) consisting of five (5) members, codified in the Los Angeles County Code, Title 3, as follows:

1. Treasurer (Chair);
 2. Auditor-Controller;
 3. Chief Executive Officer (as the appointee of the Board);
 4. Superintendent of Schools; and
 5. Public Member (recommended by the Treasurer and approved by the Board).
- The current Public Member is Mr. Stephen R. Maguin, the Chief Engineer and General Manager of the County Sanitation Districts.

Under the Government Code, the Committee was to provide a very broad oversight of the County Treasury (Treasury). The Government Code included few specific responsibilities other than periodically reviewing the Treasurer's Investment Policy and causing an audit to be conducted of the Committee's compliance with the applicable Government Code sections. The Government Code specifically prohibited the Committee from directing individual investment decisions, selecting investment advisors or brokers and dealers, and impinging on the day-to-day operations of the Treasury.

Effective September 29, 2004, the related Government Code statutes were revised to make the Committee optional and no longer mandatory.

Since the establishment of the Committee, the Chair has held regular meetings on a quarterly basis with a published agenda. (Under the statute, the Committee meetings are open to the public and subject to the Ralph M. Brown Act.) The agenda items routinely included a discussion of the Treasurer's Investment Policy, audits of the Treasury, if any and a review of investment transactions that do not comply with the Investment Policy. The meetings generally reach quorum and usually last less than 10 minutes due to the limited agenda items and the fact that the Treasurer rarely has non-

compliant investment transactions. No members of the public have attended the meetings in recent memory.

The Treasurer believes the Treasury Oversight Committee should be disbanded due to its limited functions and the fact that other very important compliance and regulatory oversight mechanisms exist, which collectively provide a more in-depth oversight function of the Treasury. These mechanisms include, but are not limited to, the following:

- **Annual Investment Policy Review**

Annually, the Treasurer requests your Board to delegate the authority to invest and reinvest County funds and funds of other depositors in the Treasury, to the Treasurer, as allowed under the Government Code. Your Board also adopts an Investment Policy, which is available for public review and comment. The Treasurer posts the Investment Policy, once approved by your Board, on the Treasurer's Website.

- **Compliance Oversight**

The Treasurer has developed a comprehensive system of internal controls to protect the County's financial assets. Chief among these is the separation of important Treasury functions, each reporting to a different Assistant Treasurer and Tax Collector. The Treasury is staffed with professionals with many years of experience, several of whom have obtained professional certifications of Certified Public Accountant (CPA), Certified Internal Auditor (CIA), and Certified Treasury Professional (CTP). The Treasurer's Internal Controls Branch, which is distinct from the Investment Office, monitors all investment transactions on a daily basis to ensure compliance with the Investment Policy.

- **Monthly Reporting to your Board**

The Treasurer provides a comprehensive investment report monthly to your Board, including a description of investment exceptions, if any, to the Investment Policy. The Treasurer posts this information on its and the County's Website.

- **Quarterly Net Asset Reviews**

The County Code (Section 2.10.070) requires the Auditor-Controller (A-C) to perform, or cause to be performed, reviews of the Treasury's Statement of Net Assets every quarter, and to compare those amounts to the corresponding records of the Treasury and the A-C. As part of this process, the auditors count cash on hand in the Treasury, confirm the Treasurer's cash held by banks and investments held by the Treasurer's custodian, test bank account and investment reconciliations,

and reconcile cash and investments held by banks and the custodian to the books and records of the Treasurer and A-C. The Treasurer has consistently received reports with few, if any, issues noted.

- **Annual Financial Statements**

The County Code (Sections 27130 to 27137) requires annual audits of the Treasury. Each year, the Treasurer's Statement of Net Assets and Statement of Changes in Net Assets are audited in accordance with generally accepted auditing standards and Government Auditing Standards. The Treasurer has consistently received clean (non-qualified) audit opinions on its financial statements.

Implementation of Strategic Plan goals

Approval of the accompanying ordinance will further the County's Strategic Plan Goal of Organizational Effectiveness, by ensuring the language in the County Code is updated to align with the Government Code, and by disbanding a committee with limited functions.

FISCAL IMPACT/FINANCING

There is minimal fiscal impact to the County. Approval of the ordinance amendment will ensure the County Code and the California Government Code are aligned. Approval of this recommendation to disband the Treasury Oversight Committee will result in minimal savings related to staff time spent on coordinating, holding and recording Committee meetings.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Effective January 1, 1996, the Government Code (Article 6, Sections 27130 through 27137) was amended to require the Board of Supervisors in each county that invested surplus funds to establish a county Treasury Oversight Committee. In response to this, effective February 23, 1996, your Board established a Treasury Oversight Committee consisting of five members, codified in the Los Angeles County Code, Title 3. Effective September 29, 2004, the related Government Code statutes were revised to make the Committee optional and no longer mandatory. Approval of the amended ordinance will result in updated language in the County Code that reflects changes to the California Government Code.

The amended ordinance has been provided by County Counsel.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

Approval of the amended ordinance will result in updated language in the County Code that reflects changes to the California Government Code. Approval of the recommendation to disband the Treasury Oversight Committee will result in no impact to current services.

CONCLUSION

It is requested that the Executive Officer, Board of Supervisors return the adopted, stamped Board letter to my office.

Respectfully submitted,



MARK J. SALADINO
Treasurer and Tax Collector

MJS:JK:tf

Attachment

c: Chief Executive Officer
Executive Officer, Board of Supervisors
County Counsel

ANALYSIS

This ordinance amends the Los Angeles County Code relating to advisory commissions and committees.

Pursuant to a change in California government Code section 27131, the establishment of a county treasury oversight committee is no longer required by code and this policy has changed accordingly.

Section 1 of AB 2853 (Chapter 889, Statutes of 2004) revised California Government Code section 27131, which formerly mandated the establishment of a county treasury oversight committee, to allow the county board of supervisors the option to establish a county treasury oversight committee. The provisions of AB 2853 took effect on September 29, 2004.

This ordinance provides for the option of the county board of supervisors, at its determination, to establish a county treasury oversight committee; and prescribes the powers and duties of the county treasury committee and the members thereof, should the county board of supervisors establish such a committee.

RAYMOND G. FORTNER, JR.
County Counsel

By


CAMMY C. DUPONT
Principal Deputy County Counsel
Government Services Division

CCD:plp

8/20/08 (requested)
8/26/08 (revised)

ORDINANCE NO. _____

An ordinance amending Title 3 – Advisory Commissions and Committees of the Los Angeles County Code, relating to Chapter 3.59 Treasury Oversight Committee.

The Board of Supervisors of the County of Los Angeles ordains as follows:

SECTION 1. Section 3.59.010 is hereby amended to read as follows:

3.59.010 Establishment of treasury oversight committee.

~~There is hereby established~~The Board of Supervisors may, by resolution, make a
determination whereby it establishes in the county of Los Angeles a county treasury
oversight committee consisting of five members. If the Board of Supervisors
establishes a treasury oversight committee, ~~T~~the members of the committee shall be:

- A. A representative appointed by the board of supervisors;
- B. The treasurer and tax collector;
- C. The auditor-controller;
- D. The superintendent of schools, or his or her designee; and
- E. A member of the public.

If the Board of Supervisors establishes a treasury oversight committee,
~~M~~members of the committee shall be nominated by the treasurer and tax collector and
confirmed by the board of supervisors. Any county officer who is a member of the
committee may designate his or her chief deputy or any other deputy with managerial or
supervisory responsibility in cash management, public finance or investment, to
represent such officer at any meeting of the committee.

SECTION 2. Section 3.59.020 is hereby amended to read as follows:

3.59.020 Restrictions on committee members.

- A. If the Board of Supervisors establishes a treasury oversight committee, Aa

member may not be employed by an entity that has contributed to a reelection campaign of a member of the board of supervisors in the previous three years.

B. If the Board of Supervisors establishes a treasury oversight committee, Aa member of the committee may not directly or indirectly raise money for the treasurer or a member of the board of supervisors while a member of the committee.

C. If the Board of Supervisors establishes a treasury oversight committee, Aa member may not secure employment with bond underwriters, bond counsel, security brokerages or dealers, or with financial services firms for three years after leaving the committee.

SECTION 3. Section 3.59.030 is hereby amended to read as follows:

3.59.030 Committee meetings.

If the Board of Supervisors establishes a treasury oversight committee,
Committee meetings shall be open to the public and subject to the Ralph M. Brown Act (Chapter 9 (commencing with Section 54950) of Part 1 of Division 2 of Title 5 of the Government Code).

SECTION 4. Section 3.59.100 is hereby amended to read as follows:

3.59.100 Investment policy.

If the Board of Supervisors establishes a treasury oversight committee, ~~T~~the committee shall review and monitor the investment policy prepared annually by the treasurer pursuant to Government Code Section 27133. The investment policy shall include all of the following:

A. A list of securities or other instruments in which the county treasury may invest, according to law, including the maximum allowable percentage by type of security;

- B. The maximum term of any security purchased by the county treasury;
- C. The criteria for selecting security brokers and dealers from, to, or through whom the county treasury may purchase or sell securities or other instruments. The criteria shall prohibit the selection of any broker, brokerage, dealer, or securities firm that has, within any consecutive 48-month period following January 1, 1996, made a political contribution in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board, to any member of the board of supervisors, or any candidate for those offices;
- D. Limits on the receipt of honoraria, gifts, and gratuities from advisors, brokers, dealers, bankers, or other persons with whom the county treasury conducts business. Such limits may be in addition to any other limits set by the county, by state law, or by the Fair Political Practices Commission;
- E. A requirement that the treasurer provide the county treasury oversight committee with an investment report as required by the board of supervisors;
- F. The manner of calculating and apportioning the costs, authorized by Section 27013 of the Government Code, of investing, depositing, banking, auditing, reporting, or otherwise handling or managing funds;
- G. The terms and conditions under which local agencies and other entities that are not required to deposit their funds in the county treasury may deposit funds for investment purposes;
- H. Criteria for considering requests to withdraw funds from the county treasury. The criteria shall include an assessment of the effect of a proposed withdrawal on the stability and predictability of the investments in the county treasury.

SECTION 5. Section 3.59.110 is hereby amended to read as follows:

3.59.110 Annual audit.

If the Board of Supervisors establishes a treasury oversight committee, ~~¶~~the county treasury oversight committee shall cause an annual audit to be conducted to determine compliance with Article 6 (commencing with Section 27130) of Chapter 5 of Division 2 of Title 3 of the Government Code. The audit may include issues relating to the structure of the investment portfolio and risk.

SECTION 6. Section 3.59.120 is hereby amended to read as follows:

3.59.120 Limit on committee powers.

If the Board of Supervisors establishes a treasury oversight committee, ~~¶~~the county treasury oversight committee shall have no power to direct individual investment decisions, select individual investment advisors, brokers, or dealers, or impinge on the day-to-day operations of the county treasury.

SECTION 7. Section 3.59.200 is hereby amended to read as follows:

3.59.200 Cost recovery.

If the Board of Supervisors establishes a treasury oversight committee, ~~¶~~the costs of complying with Article 6 (commencing with Section 27130) of Chapter 5 of Division 2 of Title 3 of the Government Code shall be county charges and may be included with those charges enumerated in Section 27013 of the Government Code.

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